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Tax Tips for District Taxes

(Sales and Use Taxes)

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Note: This pamphlet summarizes the law and applicable regulations in effect when the pamphlet was written, as noted on the cover. However, changes in the law or in regulations may have occurred since that time. If there is a conflict between the text in this pamphlet and the law, the latter is controlling.

PREFACE

Over 75 percent of businesses in California are located or do business in special tax districts. This pamphlet is designed as a guide to the application of district tax to your sales and purchases.

The first chapter presents an overview of district taxes using a question and answer format. Subsequent chapters cover the specific application of the tax to place of sale, sales across district lines, construction contractors, and lessors. The pamphlet also includes a list of cities and counties with special tax districts on page 20.

If you need information about tax rates in specific areas, you should refer to publication 71, *California City and County Sales and Use Tax Rates*. That pamphlet has a list of the tax rates for postal delivery addresses in California. See page 17 for information on how to order.

If you need information about specific sales or purchases, you can call our Information Center at 1-800-400-7115 or call or write your nearest Board office. A list of Board offices and telephone numbers is on page 19. Staff can answer your questions. They can also provide you with copies of the Transactions and Use Tax Law and Regulations and the other publications which are listed on pages 17 and 18.

We welcome your suggestions for improving this pamphlet. Please send your suggestions to:

Compliance Planning and
Evaluation Section, MIC:44
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P.O. Box 942879
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1. District Taxes—An Overview

The following questions and answers provide an overview of district taxes. They cover the general application of the tax and the specific topics of:

- *Sales across district lines - page 3*
- *Construction Contractors - page 4*
- *Leases - page 4*

These topics are also covered in more detail in subsequent chapters.

Introduction to District Taxes

What is a district?

A “district” is a local jurisdiction that, under enabling statutes in various codes, may impose transactions (sales) and use taxes within its borders. Most district taxes, but not all, are levied on a county-wide basis.

What are district taxes?

District taxes are either transactions (sales) or use taxes. The Revenue and Taxation Code provides that transactions (sales) taxes are due from retailer on their sales of tangible personal property and use taxes are due from purchasers of their use of tangible personal property in the district. “Use” is defined as the use, storage, or other consumption of tangible personal property. In this pamphlet, we will refer to such taxes generally as “district” taxes and designate them as either “transactions (sales)” or “use” taxes only when necessary.

Who is responsible for reporting district taxes?

*Note: The following information describes who is responsible for reporting district **transactions (sales)** tax or district **use** tax.*

Since **transactions (sales)** taxes are imposed on the sale of tangible personal property in a district, you are responsible for reporting transactions tax if you are a retailer located in a district. If you have more than one business location, your liability for district tax will depend on the location at which you conduct principal negotiations. For more information about application of tax to sales by businesses with multiple locations or with no fixed location, you should read the discussion about place of sale, which begins on page 6.

Since district **use** taxes are imposed on tangible personal property which is stored, used or consumed in a district, you may be responsible for reporting district use tax if

- You are “engaged in business” within a district (see next page)
- You lease, store or consume tangible personal property in a district

What does “engaged in business” mean?

You are “engaged in business” in a district if you are a retailer who

- Maintains, occupies or uses any type of office, sales room, warehouse or other place of business in the district, even if it is used temporarily, indirectly or through an agent

See page 20 for a listing of counties and cities with tax districts.

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- Has any kind of representative operating in the district for the purposes of making sales or deliveries, installing or assembling tangible personal property, or taking orders
 - Derives rentals from a lease of tangible personal property located in the district
 - Sells or leases of vehicles or undocumented vessels which will be registered in a district

What are some of the differences between district taxes and the sales and use tax?

Since district tax ordinances must incorporate provisions of the Sales and Use Tax Law, the taxes are generally the same except:

- Property sold in a district and delivered to a customer outside the district may be exempt from the district tax.
- Retailers outside a district delivering property into a district may be required to collect the district's tax if they are engaged in business in the district.
- Sellers or lessors of vehicles or undocumented vessels are required to collect district use tax imposed in the county of registration.
- Sales of tangible personal property, other than fuel or petroleum products, to operators of aircraft are exempt from transaction tax if (1) the aircraft is used as a common carrier of persons or property and (2) the property purchased will be used or consumed principally outside the district where the sale was made.
- Fixed-price contracts, including leases entered into prior to the starting date of the new tax may be exempt.

What exempts a fixed-price contract from district taxes?

To qualify as an exempt "fixed-price contract", a contract must meet the following conditions:

- It must have been entered into prior to the effective date of the district tax. Contracts for which an irrevocable bid was submitted prior to the effective date will qualify even when signed on or after that date provided they are signed during a period for which the bid is still irrevocable.
- It must be for a fixed amount. A contract may not have any clauses which allow for increases or decreases in the contract price because of a change in the tax rates or the cost of the property to be furnished. This provision is not invalidated if the contract allows change orders. Change orders are considered as separate contracts.
- All parties to the contract must be obligated to the terms of the contract. No party can have the unconditional right to terminate the contract, whether or not that right is exercised.
- The sales tax amount or rate must be specifically stated in the contract or the contract must be tax-included.

The exemption allowed for fixed-price contracts applies not only to standard retail sales contracts, but also to sales of materials and fixtures under fixed-price construction contracts and to contracts for leases of tangible personal property. Fixed-price construction contracts are discussed in more detail on page 12; fixed-price lease contracts are discussed on page 15.

Sales Across District Lines

Am I liable for district tax in a district where I solicit and accept a sale when the property is never physically in the district?

No. Under these circumstances, you are not liable for transactions (sales) taxes. District tax law allows a specific exemption for property which is sold within a district but delivered and used outside the district.

If I am located in a district, am I liable for my district's tax if I make a sale to a person located outside the district?

You are generally not liable for your district's tax so long as the customer does not take possession of the property in your district. However, if your customer is located in another district, you are generally liable for that district's use tax if (1) you are engaged in business in that district or (2) you are a licensed dealer selling a vehicle or undocumented vessel which the buyer registers at an address located in the district.

If I purchase property at a lower rate of tax, am I required to pay additional district tax if I use the property in a district with a higher tax rate?

Yes. If the property is used in a district with a higher tax rate than the rate paid at the time of purchase, the additional tax is due.

If I am not located in a district and deliver property to my customer at my place of business, must I collect district use tax if the customer's billing address is located in a tax district?

No. You would be required to collect the tax only if you are "engaged in business" in the district and participated in the district in making the sale or delivered or shipped the property into the district. Please note that retailers of vehicles or undocumented vessels are always "engaged in business" in districts in which the property is registered and therefore are always required to collect district use tax.

If I am a retailer located outside a district and I regularly make deliveries to customers in a district, am I required to report district use tax?

If you make the deliveries with your own vehicle, you are considered "engaged in business" in the district and are required to report district use tax on the sale. If you make the deliveries through a common carrier, you generally are not liable for the tax.

Construction Contractors

If I buy tools, equipment or other property for use in a district from a vendor who is not “engaged in business” in a district, are my purchases subject to district tax?

Yes. You are required to report and pay the district use tax.

If I live outside a district and bring property into a district for repair or reconditioning, are the repair charges which are subject to sales tax also subject to the district tax?

Yes, if you pick up the property in the district. However, if you take delivery of the property outside the district for use outside the district, the district tax does not apply.

For more information and examples about sales across district lines, you should read the discussion beginning on page 6.

If I am a contractor located in a county without district taxes and I install materials and fixtures which are delivered to a job site located in a district, am I liable for the district tax?

Yes. Under the Transactions and Use Tax Law, your jobsite is considered your place of business. Consequently, if your jobsite is in a tax district, district tax is due on the cost of materials you use or on the selling price of the fixtures which you furnish and install.

As a construction contractor, am I responsible for district tax on materials which I purchase prior to the operative date of a district tax and use after that date?

No, unless you originally purchased the materials under a resale certificate and you are using them for a purpose other than that stated on the certificate.

If I purchase construction materials after the effective date of a district tax, does district tax apply?

Yes, if you are purchasing and picking up the materials in the district or materials are delivered to a jobsite in the district (if you are operating under a fixed-price contract, see also page 13).

If I purchase construction materials or other property from a vendor in a district for use outside the district, does the district tax apply?

Yes, if you take delivery of the materials or property in the district. However, if you take delivery outside the district and use the property outside the district, district tax does not apply unless your jobsite is in another district.

For more information and examples about the application of district tax to sales to and purchases by construction contractors see page 11.

Leases

On which basis should I pay tax: my cost of the property or rental charges?

Your basis for payment of tax is determined by the following:

- If, as lessor, you have paid state sales or use tax on the cost of the property and you are renting the property in substantially the same form as you acquired it, rental charges are not subject to tax. However, if you paid no district tax, you would owe district tax on the purchase price unless the item was purchased prior to the operative date of the tax.
- If the rental charges are subject to tax, the rate applied should include the appropriate district taxes

For more information about leases, you should read the discussion beginning on page 14.

2. Place of Sale

A major factor that affects a retailer's liability for district tax is the "place of sale," that is, the location of the retailer's business. You should read this section if your business is located in a district or you have multiple locations and some of them are in districts.

Retailers with One Location

If you are a retailer whose only business location is in a district, you must generally report **transactions** tax on all your sales unless:

- You, your agent or a common carrier ships or delivers the property to an out-of-state or out-of-district location, or
- The sale is exempt from the general sales tax.

If your business is located outside a district, your sales are not subject to **transactions** tax. However, you may be liable for district **use** tax if you are "engaged in business" in a district. For more information about being "engaged in business" in a district, you should read the discussion beginning on page 2.

Retailers with Multiple Locations

If you are a retailer with more than one location, the place of sale is generally considered the location at which you carry on principle negotiations even if you must forward the order to another location for acceptance, approval of credit, shipment or billing. Your employees' activities will be attributed to the location from which they work. Consequently, sales made or negotiated by employees, or at places, located in districts are generally subject to **transactions** tax.

As with a single location business, you are allowed an exemption from district tax for property which is shipped to an out-of-state location or for property which is also exempt from the sales and use tax.

You are not liable for transactions tax on sales made at business locations outside districts. You may, however, be liable for collecting district **use** tax if you ship the property into a district in which you are "engaged in business". For more information about being "engaged in business" in a district, please read the discussion beginning on page 2.

In addition to the above general rules, the following multi-location vendors have their place of sale prescribed by the Transactions and Use Tax Regulation 1822, *Place of Sale for Purposes of Transactions (Sales) and Use Taxes*.

Vending Machine Operators

For vending machine operators, place of sale is the location of the machine. If you are a vending machine operator who should pay tax when buying inventory and you make a tax-free purchase of inventory, you must report use tax based on the location of the machine through which the inventory is sold. When a machine is located in a district, you are liable for state, local, and district tax.

Itinerant Merchants

Itinerant merchants are defined as retailers with no permanent place of business. This category includes certain door-to-door salespersons.

As an itinerant merchant, your place of sale is the permanent address shown on your seller's permit. If your permanent address is located in a district, you are generally liable for district tax on your sales unless you deliver the property to the buyer outside the district for use outside the district. If your permanent address is outside a district, your sales are generally exempt from *transactions* tax but may be subject to district *use* tax if you solicit the sale in a district and ship or deliver the property to the buyer in the district.

Businesses Qualifying as Section 6015 Retailers

A business which uses salespersons, representatives, peddlers, canvassers, agents, or other persons who operate under the direction of or obtain property from the business may be treated as the retailer under Section 6015(b) of the Sales and Use Tax Law. As a Section 6015 retailer, the business is responsible for reporting tax on any sales made by these persons. Section 6015 retailers include operators of certain school book clubs.

If you qualify as a Section 6015 retailer, your place of sale is the location from which your salespersons, representatives, peddlers, canvassers, or agents operate. Sales made by persons located in districts are generally subject to *transactions* tax unless you deliver the property to the buyer outside the district for use outside the district. Sales made by persons located outside districts are generally exempt from *transactions* tax but may be subject to district *use* tax if you solicit the sale in a district and ship or deliver the property to the buyer in the district.

Auctioneers

For auctioneers, the place of sale is the location at which the auction is held. If you are an auctioneer holding an auction in a district, your sales are subject to *transactions* tax unless otherwise exempt.

Out-of-State Retailers

An out-of-state retailer whose only presence in the state is a stock of tangible personal property is considered a California retailer, and the place of sale is the location of the property from which delivery or shipment is made. If the property is located in a district, the sale may be subject to *transactions* tax.

3. Sales Across District Lines

You should read this chapter if you have a business located in a district and you make sales to customers located outside the district. You should also read this chapter if you purchase property which you intend to store, use or consume in a district. This chapter gives a general outline of the application of district tax to these types of sales and purchases.

If you have questions about particular sales, you should call our Information Center at 1-800-400-7115 or contact your local Board office. A complete list of Board offices is provided on page 19.

Retailers in districts selling property which they deliver outside the district are generally not liable for district tax. However, district tax may apply in one of the following situations:

- A retailer located in a district sells property to a purchaser located outside the district, but the purchaser takes delivery of, or first uses, the property in the district
- Property is sold outside a district and is then brought into the district for storage, use, or consumption

This chapter discusses the general rules covering the application of district tax to these kinds of transactions and then discusses the responsibilities of retailers and purchasers for reporting the tax.

Property Sold in a District Which is Delivered or First Used in That District

If your business is located in a district, your sales are generally subject to **transactions** tax when you deliver the property to the purchaser in the district. The transactions tax applies even if the purchaser intends to immediately transport and use the property outside the district.

Note: You are liable for your district's transactions (sales) tax if you deliver the property outside the district with the knowledge that the purchaser will store, use, or consume the property in your district.

Property Delivered to Another District

District use tax is due on property that the customer first stores, uses, or otherwise consumes in a district. A customer who is liable for district use tax on property first used in a district is allowed a credit for any district transactions (sales) tax already paid. This credit is limited to the amount of transactions (sales) tax reimbursement paid by the customer in the district of origin. That is, a refund of district tax is not available if the tax owed in the district of first use is less than the transactions tax reimbursement already paid on the purchase. See page 10 for an example of how the credit applies.

For example, your business is located in a district and you sell merchandise to a customer who is located in an area where there is no district. If your customer picks up the merchandise at your location, the sale is subject to your district's transactions (sales) tax — even if your customer intends to take the merchandise back to his or her location. On the other hand, if you ship the property to the purchaser's location, the sale is not subject to district tax.

Either the retailer or purchaser may be responsible for reporting district use tax to the Board of Equalization, depending on the circumstances of the sale or use of the property. The following sections on retailers and purchasers discuss this in more detail.

Retailers

As a retailer, you are required to collect and report district use tax on a sale when you deliver the property into a district in which you are “engaged in business” (please see page 2 for a discussion of “engaged in business”), and one of the following conditions applies:

- You ship or deliver the property into the district
- You participate within that district in the sale of the property. “Participation” includes solicitation whether direct or indirect. It also includes receipt of orders at a place of business in the district or through any representative, agent, canvasser, solicitor, subsidiary or any other person working in the district under your authority.
- You are a licensed dealer of vehicles or undocumented vessels which are registered by the purchaser in a county with district taxes

If a sale meets these conditions, you must collect district use tax on all taxable charges including those charges which result from repairs or reconditioning.

The following example illustrates when retailers should collect and report district use tax.

A retailer in Santa Clara County makes a taxable sale of property which is delivered to and used by the purchaser in Alameda County. Even though subject to the general sales tax, the sale would be exempt from Santa Clara County district taxes because the property was delivered outside the county. However, use of the property in Alameda County makes the sale subject to the district use tax in Alameda County. If the retailer is engaged in business in Alameda County and delivers the property to the Alameda County location, he or she is responsible for reporting district use tax. If the retailer is not engaged in business in the county, the purchaser is responsible for reporting district use tax.

In contrast, if the property were delivered into and first used in Marin County, neither transactions nor district use tax would be due since Marin County has no district taxes.

Purchasers

As a purchaser, you are generally required to report district use tax on the purchase price of tangible personal property when:

- You make first taxable use of the property in a special tax district
- You purchased the property without district tax or at a lesser rate of district tax than is imposed in the district of use
- The retailer has no obligation to report the tax

As stated above, you are eligible for a credit of tax paid to another district, but only up to the amount of tax due in the district of use.

Application of this credit is illustrated by the following example:

A consumer buys merchandise in Los Angeles County and pays district tax of 1.00 percent. The consumer then first uses the property in Orange County where the district tax rate is .50 percent. The consumer is liable for the Orange County district use tax at the .50 percent rate, but is eligible for a credit based on the district tax paid in Los Angeles County. However, no credit is allowed for the additional .50 percent paid in Los Angeles County.

If the consumer buys the merchandise in Orange County and then first uses it in Los Angeles County, he or she is liable for the Los Angeles district use tax of 1.00 percent. The consumer is allowed a credit for the .50 percent district tax paid in Orange County, but owes the additional .50 percent district tax due Los Angeles County.

4. Construction Contractors

This chapter covers the general application of district taxes to construction contractors. You should read this chapter if you make sales to construction contractors, or if you are a contractor located or doing work in districts.

District tax generally applies to a construction contractor's purchases in the same manner as the sales and use tax. However, there are certain exceptions, which are explained in the following pages. This chapter briefly summarizes the provisions that are common to both sales and use tax and district tax and then discusses the specific district tax provisions.

Tax Provisions Common to Both Sales and Use Tax and District Tax

Under both the sales and use tax and the district tax, construction contractors (other than those working under Federal contracts) are:

- Consumers of materials furnished and installed on real property such as lumber, cement, roofing, windows, and wall-to-wall carpeting. As consumers, contractors must pay tax when purchasing these items or report use tax when they are installed on real property.
- Retailers of fixtures furnished and installed on real property such as air conditioning units, lighting and plumbing fixtures, television antennas, and blinds. Contractors must charge tax on the sale of the fixtures to their customers, or, if installing the fixtures on a lump-sum contract, pay sales or use tax on the cost of the fixtures. If the contractor manufactures the fixture, the selling price is considered the price at which similar fixtures are sold or the price reflected by the contractor's records such as bid sheets or costing sheets.
- Retailers of machinery and equipment such as drill presses, lathes, and movable partitions. Contractors must charge tax on the selling price of these type of items to their customers.

In contrast, construction contractors working on contracts with the Federal government (also known as United States construction contractors) are considered the consumers of both materials and fixtures and must pay tax on their cost of these items. In addition, a United States construction contractor's sale of equipment to the Federal government is generally considered an exempt retail sale.

For more information about the application of sales and use tax to construction contractors and a more complete listing of property qualifying as materials, fixtures and machinery and equipment, you should read Pamphlet No. 9, *Tax Tips for Construction and Building Contractors*, and Regulation 1521, *Construction Contractors*. See page 18 for information on how to order.

Provisions Specific to District Tax

In addition to the above criteria, district tax law provides that:

- Materials purchased before the effective date of a district tax and installed after that date may not be subject to the tax

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- The contractor's jobsite is considered the place of business for purposes of determining the applicable tax
 - Certain fixed-price contracts may be exempt from district taxes enacted after the contract date

Consequently, to determine if a contractor's sales or purchases are subject to district tax, you need to take into account:

- The date of purchase
- The place at which the materials, fixtures and equipment are delivered or installed
- Whether the construction contract qualifies as a fixed-price contract

These points are discussed in more detail below.

Date of Purchase

Materials purchased before the effective date of a district tax and installed after that date are not subject to the tax. This exclusion, however, does not apply to materials purchased under a resale certificate when the materials are used for a purpose other than that stated on the certificate. It also does not apply to fixtures and equipment. Materials, fixtures, and equipment purchased under a resale certificate are generally subject to district tax if sold or consumed after the effective date of the tax.

Installation or Delivery Location

As discussed in the previous chapter, the place of sale or place of first use determines whether district tax applies to a sale or purchase of tangible personal property. However, for material not purchased under a resale certificate, tax applies at the time of purchase. For purchases by construction contractors:

- District **transactions** tax applies when a contractor picks up materials or fixtures in a district even if the contractor intends to install it at a jobsite located outside the district.
- District **use** tax applies when materials or fixtures are installed at a jobsite in a tax district and they have been purchased without district tax or at a lower rate of district tax. Generally, the contractor is responsible for reporting and paying the tax.
- District tax will not apply if the sale occurs in a district, but the supplier ships the property to a non-district location where it is installed.

The only exception to these general rules are certain purchases of fixtures. The law allows contractors a credit for district tax paid on fixtures which are subsequently installed at a non-district location. For example, if you purchase air conditioning units in Los Angeles County (which has a total district tax rate of 1 percent) and install them on a structure in Ventura County (which has no district taxes), you are eligible for a credit of the 1 percent district tax paid in Los Angeles County.

Fixed-price Contracts

As noted in Chapter 1, purchases of materials, fixtures and equipment under a qualified fixed-price contract are exempt from district tax. To qualify as an exempt fixed-price contract, a contract must:

- Be entered into prior to the effective date of the district tax
- Be for a fixed amount
- Have all parties obligated to the terms of the contract
- Have sales tax amount or rate specifically stated in the contract

This exemption also applies to the purchases which subcontractors make as part of a fixed-price prime contract. If you are unsure whether a construction contract qualifies as “fixed price,” you should request a review of the contract by your nearest Board office. A list of offices is on page 19.

Please Note: The exemption allowed for the purchase of materials, fixtures, and equipment under a qualified fixed-price contract does not apply to purchases of supplies such as tools, scaffolding, or welding gases which are used on the construction site. Supply purchases are only exempt if made under a fixed-price supply contract entered into directly with the supplier prior to the effective date of the district tax.

5. Leases

Leases and the Sales and Use Tax Law

This chapter discusses the application of district tax to leases. You should read this chapter if you are the lessor or lessee of tangible personal property which is being used in a tax district. As with other types of transactions, application of district tax to a lease is generally affected by how the lease is treated under the Sales and Use Tax Law. This chapter briefly discusses the treatment of leases under the sales and use tax and then discusses the application of district tax.

The Sales and Use Tax Law distinguishes between leases of:

- Tangible personal property in general
- Tangible personal property which qualifies as mobile transportation equipment

The following sections summarize how the law applies to these two types of leases and then discusses provisions that apply to all leases.

Leases of Tangible Personal Property in General

Under the Sales and Use Tax Law, most leases are treated as continuing sales or purchases. When the property is purchased tax-paid, generally the tax that applies is a use tax on the amounts payable under the lease (rentals) which is imposed on the lessee. If use tax does not apply (in the case of insurance companies for example), the payments are subject to the sales tax. Even though the tax is imposed on the lessee, the lessor is usually required to collect the tax and report it in the period during which he or she has received the rental payments.

As an alternative, the law allows the lessor to pay tax on the purchase price of the leased property instead of on the rentals. This choice is an irrevocable election and can be taken only if both of the following conditions are met:

- The lessor leases the property in substantially the same form as purchased, and
- The lessor makes the election during the first quarterly reporting period in which the property is rented.

These general rules apply whether the lessor purchases the property specifically for leasing or purchases it for resale and then decides to lease it.

Leases of Mobile Transportation Equipment

Mobile transportation equipment includes rail cars, locomotives, truck tractors and trailers, vessels, reusable shipping containers, and airplanes. The law considers lessors of mobile transportation equipment to be consumers of the equipment. Consequently, they are required to pay tax on the purchase price.

As an alternative, lessors may issue a resale certificate when purchasing the equipment and elect to report tax on the fair rental value of the equipment. If lessors make this election, they need to remember that

- The election must be made during the first period in which equipment is leased (usually the calendar quarter)

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- The tax rate that applies to the fair rental value is the rate imposed at the location where the equipment is first used. If the lessee moves the equipment to another location, even outside California, the tax rate still applies.

Conditions Applying to All Leases

In addition to the specific conditions noted above, the following rules apply to all leases:

- Property that has been leased and is then sold either to the lessee or another person is subject to sales and use tax in the same manner as other retail sales. If the sale occurs as the result of a purchase option in the lease contract, the sale occurs at the time the option is exercised.
- Property which has been leased and then converted to personal use by the lessor is subject to use tax unless the lessor paid the correct amount of tax on the original purchase. The amount of tax due is based on the original purchase price and may be offset by tax already collected on rentals.

For more detailed information about the treatment of leases under the Sales and Use Tax Law, you should read Regulation 1660, *Leases of Tangible Personal Property - In General*; Regulation 1661, *Leases of Mobile Transportation Equipment*; and Pamphlet No. 46, *Tax Tips for the Leasing of Tangible Personal Property in California*.

Leases and District Tax

Leases of Tangible Personal Property in General

Payments on most leases are subject to district tax if:

- The property is used in a district, and
- The payments are subject to the statewide use tax

These general rules apply unless one of the following exemptions or exclusions applies to the lease:

- The lease contract qualifies as an exempt fixed-price contract and the payments are exempt from district tax. As noted on page 2, qualifying contracts must be entered into prior to effective date of the district tax, be for a fixed amount, and have all parties obligated to the terms of the contract.
- The property was purchased before the effective date of the district tax, tax was paid on the purchase price, and the property was leased in the district after the effective date.

In addition, district tax applies only while the property is used in the district. Leased property which is moved from a district is no longer subject to that district's tax. If moved into another district, the property would be subject to the district tax imposed at the new location; if moved to a non-district location, no district tax would apply. Similarly, leased property which is first used outside a district and then moved into a district becomes subject to the district tax.

The responsibility for reporting district tax on a lease is the lessor's when the property is located in the district. The lessor may also be liable

when he or she is “engaged in business” in the district and has delivered the leased property into the district or participated in the district in the making of the lease. When the lessor is not responsible for reporting the tax, the lessee is liable.

Lessors who elect to pay tax on the purchase price of property may be liable for district tax if both the following conditions apply:

- The property is first leased in a district
- The lessor paid no district tax or paid district tax at a rate less than that imposed in that district

If, for example, you pay tax when you buy property in San Joaquin County (which has a district tax rate of .50 percent) and you first lease it at a location in Contra Costa County where the district rate is 1.00 percent, you owe Contra Costa County district use tax at a rate of .50 percent of the purchase price.

Leases of Mobile Transportation Equipment

When a lessor pays tax on the purchase of mobile transportation equipment, the application of district tax follows the same rules as any other sale of tangible personal property. That is, district tax is due on the sale if the property is either delivered or first used in a tax district.

If a lessor elects to pay tax on the fair rental value of the equipment, district tax applies if the first use of the equipment is in a tax district. If the equipment is part of a resale inventory which is located in a tax district, the lease is generally subject to district tax at the time the equipment is withdrawn from inventory for lease. However, district tax will not apply if:

- The only use of the equipment in the district is its transport to a lessee located outside a district
- The equipment is thereafter used solely outside any district

Lessors whose inventories are located outside districts are not subject to district tax on their leases if the equipment is not used within any district for more than 90 days.

Conditions Applying to All Leases

The subsequent sale of leased property by the lessor is a retail sale, which is subject to district tax if the property is delivered or first used in a tax district. For an overview of when district tax would apply, see the first three chapters of this pamphlet.

Lessors who convert leased property to personal use will generally not be liable for district tax if one of the following conditions applies:

- They have already paid district tax equal to that due in the district of use
- They are not first using the property in a district
- They originally purchased the property under a fixed-price contract
- They acquired the property as the result of a transaction excluded or exempted from the sales tax such as an occasional sale, a gift, or a bequest

6. For More Information

Information Center

If you have a general tax question or would like to order a publication, please call our Information Center and talk to a customer service representative. Representatives are available from 8:00 A.M. to 5:00 P.M., Monday-Friday, excluding State holidays. Please call

1-800-400-7115

For TDD assistance (telephone device for the deaf), please call

From TDD phones

1-800-735-2929

From voice phones

1-800-735-2922

You can also call us toll-free to report suspected tax evasion. To speak to a representative, call us during working hours at 1-888-334-3300.

To Verify a Seller's Permit Number

If another seller has given you a resale certificate to make a purchase for resale, you can call toll-free to verify the seller's permit number provided by that seller. Call 1-888-225-5263. When you call, you should have the following information available: the seller's permit number, the name and address of the business, and the name of the business owner.

Questions Regarding Your Account

If you have a question about your account (for example, a question regarding an audit, a tax payment, or a billing), please call the office that maintains your records. The telephone number for that office is printed on your tax returns (see also page 19 for a listing of telephone numbers).

Fax-Back Service

Selected forms and notices are available on our automated fax-back service. Call 1-800-400-7115, and choose the fax option.

Publications and Regulations

The following regulations and publications may be of interest:

■ Regulations

- 1821 Foreword
- 1822 Place of Sale for Purposes of Transactions (Sales) and Use Taxes
- 1823 Application of Transactions (Sales) and Use Tax
- 1823.5 Place of Delivery of Certain Vehicles, Aircraft, and Undocumented Vessels
- 1825 Aircraft Common Carriers and Waterborne Vessels
- 1826 Construction Contractors
- 1827 Collection of Use Tax by Retailers

A complete listing of Board regulations appears in publication 73, *Your California Seller's Permit*.

■ Publications

- 2 *Uniform Local Sales and Use Tax Law and Transactions and Use Tax* (contains text of the district tax law)
- 9 *Tax Tips for Construction Contractors*
- 46 *Tax Tips for Leasing Tangible Personal Property in California*

See next page for information on how to order regulations and publications.

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- 51 *Guide to Board of Equalization Services*
 - 70 *The California Taxpayer's Bill of Rights*
 - 71 *California City and County Sales and Use Tax Rates*
 - 73 *Your California Seller's Permit*

To obtain copies of publications and regulations, you may

Call our Information Center (see above). If you call during business hours, you can talk to a customer service representative. If you call after working hours, you can leave a recorded message requesting a copy of a publication (you must provide the name of the publication). Certain documents are also available on our fax-back system described above.

Contact your local Board office. See page 19 for a listing of their telephone numbers. If you plan to visit the office to pick up a publication, you should call ahead to ensure they have a copy.

Visit our World Wide Web site. Some of our publications can be downloaded through the Internet. Our address is <http://www.boe.ca.gov>

Tax Information Bulletin

As a registered seller, you also receive the quarterly *Tax Information Bulletin*, which includes articles on the application of law to specific types of transactions, announcements regarding new and revised publications, and other articles of interest to sellers. The bulletin is mailed with your sales and use tax return(s). If you file only once a year and would like to receive all four bulletins, please write to the following address and ask to be added to Mailing List #15: State Board of Equalization; Mail Services Unit, MIC:12; Attn: Addressing Systems; P.O. Box 942879; Sacramento, CA 94279-0012

Written Tax Advice

For your protection, it is best to get tax advice in writing from the Board. You may be relieved of tax, penalty, or interest charges that are due on a transaction if the Board determines that you reasonably relied on written advice from the Board regarding the transaction. For this relief to apply, a request for advice must be in writing, identify the taxpayer to whom the advice applies, and fully describe the facts and circumstances of the transaction.

Classes

You may enroll in a basic sales and use tax class offered by some local Board offices. You should call ahead to find out whether your local office conducts a class for beginning sellers.

Computer Access— World Wide Web

We maintain the following information on our web site: sales and use tax rates by county, Board field office addresses and telephone numbers, Taxpayers' Bill of Rights Hearings, publication order forms, an agency profile, and Board Member biographies. You can also download copies of selected pamphlets, forms, and other publications.

Our address is <http://www.boe.ca.gov>

Taxpayers' Rights Advocate Office

The State Board of Equalization wants to make dealing with us as easy as possible. Consequently, we have appointed a Taxpayers' Rights Advocate to help you with problems you cannot resolve at other levels. You can contact the Advocate's office at:

Taxpayers' Rights Advocate, MIC:70
State Board of Equalization
450 N Street
PO Box 942879
Sacramento CA 94279-0070

Telephone: 916-324-2798 or 1-888-324-2798
Fax: 916-323-3319


For a copy of publication 70, *Your California Taxpayers' Bill of Rights*, please call the Information Center at 1-800-400-7115.

Field Offices	City	Area Code	Number	City	Area Code	Number
	Bakersfield	661	395-2880	San Francisco	415	703-5400
	City of Industry	562	908-5280	San Jose	408	277-1231
	Culver City	310	342-1000	San Marcos	760	510-5850
	El Centro	760	352-3431	Santa Ana	714	558-4059
	Eureka	707	445-6500	Santa Rosa	707	576-2100
	Fresno	559	248-4219	Stockton	209	948-7720
	Laguna Hills	949	461-5711	Suisun City	707	428-2041
	Norwalk	562	466-1694	Torrance	310	516-4300
	Oakland	510	622-4100	Van Nuys	818	904-2300
	Rancho Mirage	760	346-8096	Ventura	805	677-2700
	Redding	530	224-4729	Offices for Out-of-State Accounts		
	Riverside	909	680-6400	Chicago, IL	312	201-5300
	Sacramento	916	227-6700	Houston, TX	281	531-3450
	Salinas	831	443-3003	New York, NY	212	697-4680
	San Diego	619	525-4526	Sacramento, CA	916	227-6600

APPENDIX

Tax districts in Effect as of July 1, 2000

If you need to report a transaction that occurred prior to July 1, 2000, you may be required to report tax for an expired district. If this applies to you, please call our Information Center at 1-800-400-7115 for assistance. Many taxpayers will receive an updated listing of districts as part of their tax return instructions. If you would like more information on district taxes, please call the Information Center or visit our Web site at www.boe.ca.gov. We also advise businesses of district changes through the Tax Information Bulletin, which is mailed with returns quarterly.

TAX AREA	DISTRICT	EFFECTIVE DATE	DISTRICT RATE	TOTAL TAX RATE ¹
Alameda County 	Bay Area Rapid Transit District (BART)	4-1-70	1/2%	8.25%
	Alameda County Transportation Authority (ACTA)	4-1-87	1/2%	
Contra Costa County	Bay Area Rapid Transit District (BART)	4-1-70	1/2%	8.25%
	Contra Costa Transportation Authority (CCTA)	4-1-89	1/2%	
City of Placerville (El Dorado Co.)	City of Placerville Public Safety Transactions and Use Tax (PLPS) ²	4-1-99	1/4%	7.50%
Fresno County	Fresno County Transportation Authority (FCTA)	7-1-87	1/2%	7.875%
	Fresno County Public Library Transactions and Use Tax (FCPL)	4-1-99	1/8%	
City of Clovis (Fresno Co.)	City of Clovis Public Safety Transactions and Use Tax (CCPS) ³	4-1-00	3/10%	8.175%
Imperial County	Imperial County Local Transportation Authority (IMTA)	4-1-90	1/2%	7.75%
City of Calexico (Imperial Co.)	City of Calexico Heffernan Hospital District (CXHD) ⁴	10-1-92	1/2%	8.25%
Inyo County	Inyo County Rural Counties Transactions Tax (INRC)	10-1-88	1/2%	7.75%
City of Clearlake (Lake Co.)	City of Clearlake Public Safety (CLPS) ⁵	7-1-95	1/2%	7.75%
Los Angeles County	Los Angeles County Transportation Commission (LACT)	7-1-82	1/2%	8.25%
	Los Angeles County Transportation Commission (LATC)	4-1-91	1/2%	
Madera County	Madera County Transportation Authority (MCTA)	10-1-90	1/2%	7.75%
Mariposa County	Mariposa County Healthcare Authority (MCHA)	7-1-00	1/2%	7.75%
Napa County	Napa County Flood Protection Authority (NCFP)	7-1-98	1/2%	7.75%
Nevada County	Nevada County Public Library Transactions and Use Tax (NVPL)	10-1-98	1/8%	7.375%
Town of Truckee (Nevada Co.)	Town of Truckee Road Maintenance Transactions and Use Tax (TRSR) ⁶	10-1-98	1/2%	7.875%
Orange County	Orange County Transportation Authority (OCTA)	4-1-91	1/2%	7.75%
Riverside County	Riverside County Transportation Commission (RCTC)	7-1-89	1/2%	7.75%
Sacramento County	Sacramento County Transportation Authority (STAT)	4-1-89	1/2%	7.75%
San Bernardino County	San Bernardino County Transportation Authority (SBER)	4-1-90	1/2%	7.75%
San Diego County	San Diego County Regional Transportation Commission (SDTC)	4-1-88	1/2%	7.75%
San Francisco City and County	Bay Area Rapid Transit District (BART)	4-1-70	1/2%	8.5%
	San Francisco County Transportation Authority (SFTA)	4-1-90	1/2%	
	San Francisco County Public Finance Authority (SFPF)	10-1-93	1/4%	
San Joaquin County	San Joaquin County Transportation Authority (SJTA)	4-1-91	1/2%	7.75%
San Mateo County	San Mateo County Transit District (SMCT)	7-1-82	1/2%	8.25%
	San Mateo County Transportation Authority (SMTA)	1-1-89	1/2%	
Santa Barbara County	Santa Barbara County Local Transportation Authority (SBAB)	4-1-90	1/2%	7.75%
Santa Clara County	Santa Clara County Transit District (SCCT)	10-1-76	1/2%	8.25%
	Santa Clara County Transactions and Use Tax (SCGF)	4-1-97	1/2%	
Santa Cruz County	Santa Cruz County Metropolitan Transit District (SCMT)	1-1-79	1/2%	8.0%
	Santa Cruz County Public Library District (SZPL)	4-1-97	1/4%	
Solano County	Solano County Public Library Transactions and Use Tax (SLPL)	10-1-98	1/8%	7.375%
Sonoma County	Sonoma County Open Space Authority (SCOS)	4-1-91	1/4%	7.5%
Stanislaus County	Stanislaus County Library (STCL)	7-1-95	1/8%	7.375%
City of Woodland (Yolo Co.)	City of Woodland General Revenue (WOGT) ⁷	7-1-00	1/2%	7.75%

1. The total tax rate is made up of the basic statewide sales and use tax rate of 7.25 percent plus the special district taxes imposed in the city or county. The 7.25 percent statewide rate includes the following components: 6 percent state tax plus 1.25 percent city and local tax.

2. The City of Placerville Public Safety District tax is imposed only in the City of Placerville.

3. The City of Clovis Public Safety Transactions and Use Tax is imposed only in the City of Clovis. Transactions that are subject to the City of Clovis district tax are also subject to the Fresno County Transportation tax and the Fresno County Public Library tax, which are imposed countywide.

4. The City of Calexico Heffernan Hospital District tax is imposed only in the City of Calexico. Transactions that are subject to the hospital district tax are also subject to the Imperial County Local Transportation Authority tax, which is imposed countywide.

5. The City of Clearlake Public Safety District tax is imposed only in the City of Clearlake.

6. The Town of Truckee Road Maintenance District is imposed only in the Town of Truckee. Transactions subject to the Truckee district tax are also subject to the Nevada Co. Public Library district tax.

7. The City of Woodland General Revenue tax is imposed only in the City of Woodland.

California State Board of Equalization
450 N Street • Sacramento, California
(Mailing Address: P.O. Box 942879 • Sacramento, CA 94279-0001)